

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER) CASE NO. IPC-E-21-35
COMPANY’S ANNUAL COMPLIANCE)
FILING TO UPDATE THE LOAD AND GAS)
FORECASTS IN THE INCREMENTAL COST) ORDER NO. 35344
INTEGRATED RESOURCE PLAN AVOIDED)
COST MODEL)
)

On October 15, 2021, Idaho Power Company (“Company”) filed its annual update (“Filing”) to its load forecast, natural gas price forecast, and contracts used as inputs to calculate its incremental cost Integrated Resource Plan (“IRP”) avoided cost rates. The Company must update these inputs annually by October 15. *See* Order Nos. 32697 and 32802.

On November 5, 2021, the Company filed a supplement to its Filing which updated the Peak Hours and Premium Peak Hours used to calculate capacity payments for battery storage resources in the incremental cost IRP avoided cost model.

On November 19, 2021, the Commission issued Notice of Filing and established a public comment and Company reply deadline. Order No. 35228.

On November 22, 2021, the Company filed a second supplement correcting an error that the Company discovered in the natural gas price forecast it initially submitted in its Filing.

On December 21, 2021, Commission Staff (“Staff”) filed comments to which the Company filed a reply.

On January 21, 2022, the Commission issued Final Order No. 35294 therein approving the Company’s updated load forecast and contracts used as inputs to calculate its incremental cost IRP avoided cost rates but rejecting the Company’s natural gas price forecast.

On February 11, 2022, the Company filed a Petition for Clarification and/or Reconsideration (“Petition”) asking the Commission to grant clarification and/or reconsideration on “two specific issues related to Order No. 35294 direction regarding the natural gas price forecast.” Staff filed comments in response to the Petition on February 18, 2022.

Having reviewed the record and the Company’s Petition, we issue this Order clarifying the issues regarding the Company’s natural gas price forecast.

BACKGROUND

IRP avoided cost rates are available to qualifying facilities (“QFs”) that are above the resource-specific project eligibility cap for published avoided cost rates under Idaho’s implementation of the Public Utility Regulatory Policies Act of 1978 (“PURPA”).

Under PURPA and the Federal Energy Regulatory Commission’s (“FERC”) implementing regulations, QFs that are below the applicable project eligibility cap are eligible to receive published avoided cost rates calculated using the surrogate avoided resource. *See* Order No. 32697 at 7-8. The avoided cost rate is the purchase price paid to QFs for the energy and capacity that the QF provides to the utility. 18 C.F.R. § 292.101(b)(6)(defining “avoided cost”). To ensure that avoided costs most accurately reflect the utility’s marginal cost of energy or capacity, the Commission has directed utilities to “update fuel price forecasts and load forecasts annually – between IRP filings,” and to update the Commission about its “long-term contract commitments because of [their] potential effect . . . on a utility’s load and resource balance.” *See* Order No. 32697 at 22.

Staff recommended the Commission reject the Company’s natural gas price forecast which used the July 2021 Platts forecast and further recommending that the Company use “the latest NYMEX forwards prices” and reevaluate its “natural gas price forecast methodology prior to the next annual update” December 21, 2021, Staff Comments at 10.

On December 28, 2021, the Company replied that Staff’s recommendation to change the forecast source—from Platts to NYMEX—was inconsistent with Commission precedent and unsupported by any evidence. As an alternative to Staff’s proposal to reject the July Platts Forecast and substitute it with a NYMEX forwards-based method, the Company offered to update the natural gas forecast with the Platts December 2021 update. Company Reply Comments at 8-9.

On January 21, 2022, the Commission issued Final Order No. 35294 therein directing the Company to “file a three-year natural gas forecast update as a compliance filing . . . utilizing the latest NYMEX forwards prices to determine IRP avoided cost rates for contracts signed on or after January 1, 2022, until the effective date of the next natural gas price forecast annual update.” Order No. 35294 at 11. The Commission further ordered the Company reevaluate its “natural gas price forecast methodology prior to the next annual update, especially the method used to determine the first three years of the forecast time horizon used to determine IRP-based avoided cost rates.” *Id.*

THE PETITION

The Company first requested the Commission clarify whether it intended for the Company to use “the October 15, 2021, NYMEX forwards, and not the forwards from some later date, for the first three years of the forecast.” Petition at 4. The Company next requested confirmation that the “Commission intended to direct the Company to file an updated 20-year gas price forecast, with the first three years (2022-2024) of the forecast compiled using NYMEX forwards.” *Id.* Finally, the Company requested the Commission to clarify whether—if the Commission intended the Company file an updated 20-year natural gas price forecast with the first three years (2022-2024) of the forecast compiled using NYMEX forwards—it also intended that it “use the NYMEX forward pricing as of October 15, 2021, for the first three years, and then transition to the July [2021] vintage of the Platts forecast in year four and for the remainder of the forecast period.” *Id.* at 5.

STAFF’S REPLY

Staff responded to the Company’s Petition, that: (1) it was reasonable for the Company to use the NYMEX forwards as of October 15, 2021 for the natural gas price forecast in Case No. IPC-E-21-35; (2) it recommended that the Company file an updated 20-year natural gas price forecast; and (3) it was reasonable for the Company “to transition to the July 2021 vintage of the Platts forecast in year four by averaging the NYMEX and Platts’ prices, and then only use the Platts’ prices for years five through twenty” of the updated 20-year natural gas price forecast. Staff Comments on Petition for Clarification and/or Reconsideration at 1-2.

As such, Staff recommended that the Company: (1) use years 2022, 2023, and 2024 NYMEX forwards for the natural gas price forecast; (2) use an average of the 2025 NYMEX forwards and year 2025 of the July 2021 vintage Platts forecast for year 2025 of its natural gas price forecast; (3) use years 2026 through 2041 of the July 2021 vintage Platts forecast for the remaining years of the natural gas price forecast; and (4) submit the updated 20-year natural gas price forecast as a compliance filing.

STANDARD OF REVIEW

A person may petition the Commission to reconsider its orders. *See Idaho Code* § 61-626; Rules 331-333 (IDAPA 31.01.01.331-.333). Reconsideration allows the petitioner to bring to the Commission’s attention any question previously determined and affords the Commission an opportunity to rectify any mistake or omission. *Washington Water Power Co. v. Kootenai Environmental Alliance*, 99 Idaho 875, 879, 591 P.2d 122, 126 (1979); Rule 325. The petitioner

has 21 days from the date of the final order in which to ask for reconsideration. *Idaho Code* § 61-626(1). The petition must specify why it “contends that the order or any issue decided in the [o]rder is unreasonable, unlawful, erroneous or not in conformity with the law.” Rule 331.01. Further, the petition “must state whether the petitioner . . . requests reconsideration by evidentiary hearing, written briefs, comments, or interrogatories.” Rule 331.03. Any answers or cross-petitions must be filed within seven days after the petition was filed. Rule 331.02 and .05.

Once a petition is filed, the Commission must issue an order saying whether it will reconsider the parts of the order at issue and, “[i]f reconsideration be granted, said order shall specify how the matter will be reconsidered and whether any cross-petitions for reconsideration will be granted.” *Idaho Code* § 61-626(2). If reconsideration is granted, the Commission must complete its reconsideration within 13 weeks after the date for filing petitions for reconsideration. *Idaho Code* § 61-626(2). The Commission must issue its final order on reconsideration within 28 days after the matter is finally submitted for reconsideration. *Id.* An order made after reconsideration abrogating or changing the original order has the same force and effect as an original order. *Id.*

COMMISSION FINDINGS AND DISCUSSION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-501, -502 and -503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. In addition, the Commission has authority under PURPA and FERC regulations to set avoided costs, to order electric utilities to enter fixed-term obligations for the purchase of energy from QFs, and to implement FERC rules. The Commission may enter any final order consistent with its authority under Title 61 and PURPA.

Under this authority we have reviewed the record in this case, including the Petition, and Staff’s comments. We clarify that our directive in Order No. 35294 was for the Company to use the NYMEX forwards prices as of October 15, 2021, for the natural gas forecast in this case. As we stated in Order No. 35294, the NYMEX forwards prices “represents current market conditions and aligns with other similar forecasts filed by the two other electric utilities. Moreover, contracts negotiated using the IRP Methodology are typically two-year contracts. Therefore, near term pricing is a more accurate reflection of market conditions and anticipated natural gas prices.”

Order No. 35294 at 10. In addition to the above reasoning, we note that the NYMEX forwards as of October 15, 2021, was the most current forecast prior to the Company's deadline to file its natural gas price forecast (October 15, 2021).

We further find, consistent with our reasoning in Order No. 35294, that it is reasonable for the Company to file an updated 20-year natural gas price forecast using the NYMEX forwards prices for years 2022-2024, an average of the 2025 NYMEX forwards and year 2025 of the July 2021 vintage Platts forecast for year 2025, and the July 2021 vintage Platts forecast for the remaining years—2026 through 2041. We further clarify that the Company shall file an updated 20-year forecast that reflects the clarifications and directives in this Order as a compliance filing.

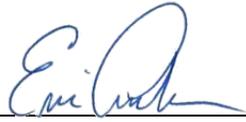
ORDER

IT IS HEREBY ORDERED that the Company's Petition for reconsideration and/or clarification is granted. The Company shall: (1) use NYMEX forwards prices as of October 15, 2021, for years 2022, 2023, and 2024 of the 20-year forecast; (2) use an average of year 2025 NYMEX forwards prices and year 2025 of the July 2021 vintage Platts forecast for year 2025 of its forecast; (3) use the July 2021 vintage Platts forecast for the remaining years of the forecast (years 2026-2041); and (4) submit the updated 20-year forecast as a compliance filing

THIS IS A FINAL ORDER ON RECONSIDERATION. Any party aggrieved by this Order may appeal to the Supreme Court of Idaho pursuant to the Public Utilities Law and the Idaho Appellate Rules. See *Idaho Code* § 61-627.

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DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 10th day of March 2022.



ERIC ANDERSON, PRESIDENT

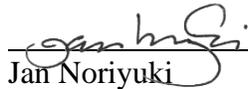


JOHN CHATBURN, COMMISSIONER



JOHN R. HAMMOND JR., COMMISSIONER

ATTEST:



Jan Noriyuki
Commission Secretary

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